COMMENTARY

Pioneer AMT-Free Municipal Fund

Performance Analysis & Commentary | March 2018

Fund Ticker Symbols: **PBMFX** (Class A); **PBYMX** (Class Y)

amundipioneer.com

First Quarter Review

- The Fund's Class A shares returned –1.51% at net asset value in the first quarter, and Class Y shares returned –1.45%, while the Fund's benchmark, the Bloomberg Barclays Municipal Bond Index, returned –1.11%.
- The Fund's duration position was the largest detractor from benchmark-relative performance in the first quarter. We continue to maintain a longer portfolio duration than the Bloomberg Barclays Municipal Bond Index.
- Both sector selection and individual security selection results were positive contributors to the Fund's relative returns this quarter. Security selection results versus the benchmark benefited most from the portfolio's holding of Puerto Rico's general obligation debt.
- We believe low supply and continued demand will be a key theme for the municipal bond market as we head closer to the second half of 2018. With the final passage of a US tax reform bill last December, a layer of uncertainty was removed from the municipal market, leaving investors, both corporate and individual, to sort out its effects.

In the first quarter of 2018, the municipal bond market generated one of its worst first-quarter returns over the past fifteen years. Municipals were down by 1.11% for the three-month period, as measured by the Fund's benchmark, the Bloomberg Barclays Municipal Bond Index (the Bloomberg Barclays Index). Individual investors were cautious this quarter due to the prospect of higher inflation and rising interest rates, given that the Federal Reserve (the Fed) increased rates once in March and is expected to do so twice more in 2018. In addition, lower corporate taxes made tax-exempt bonds less attractive to institutional investors such as banks and insurance companies, as compared with investment-grade corporates.

Prior to the start of the quarter, municipal bond issuers had pulled forward a significant level of advance refunding bonds into December 2017 — approximately $40 billion worth of supply that normally would have been issued in the first half of 2018. December 2017 municipal issuance set an all-time record of $64 billion, surpassing the previous record of $55 billion of issuance in December 1985, just prior to the enactment of President Reagan's sweeping tax reform legislation in 1986. Year-to-date, net municipal issuance is down by $19 billion compared to last year. It was expected that new supply in 2018 would not be able to meet the demand of retail and corporate investors, thus creating higher bond prices.

Flows into municipal bond funds were strong in January 2018, at $6 billion, as investors reinvested stock market gains. However, inflows tapered down to an average of $500 million per week in March 2018. Municipal issuance stood at $63 billion for the first quarter of 2018, down from $92 billion in the first quarter of 2017.

US Treasury rates rose through most of February 2018 but pulled back in March as inflation fears moderated and worries about trade policy increased. The two-year Treasury yield rose from 1.89% at the beginning of the year to 2.26% at the end of February 2018, and stabilized at that level (2.27%) by the end of the first quarter. The 10-year Treasury yield began the year at 2.41%, peaked at 2.95% in late February 2018, and ended the quarter at 2.74%.

One bright note in the municipal market this quarter was a recovery in the price of municipal bonds issued by the Commonwealth of Puerto Rico. The bonds improved as the island continued to recover from last year's natural disasters, particularly Hurricane Maria. In addition, the Commonwealth recently projected a budget surplus of more than $6 billion over the next five years, almost double the estimated surplus figure released a month earlier. The increase in Puerto Rican municipal bond prices has allowed high-yield municipals to return a positive 0.58% year-to-date, as measured by the Bloomberg Barclays US Municipal High Yield Bond Index,

Sector Allocation and Security Selection

The Fund's duration position was the largest detractor from benchmark-relative performance in the first quarter. We continue to maintain a longer portfolio duration than the Bloomberg Barclays Index. The long-maturity portion of the Bloomberg Barclays Index (22-plus years) returned –1.54% in the first quarter, while 10-year and five-year municipal bonds returned –1.38% and –0.50%, respectively. (Duration is a measure of the sensitivity of the price, or the value of principal, of a fixed-income investment to a change in interest rates, expressed as a number of years.)

Both sector selection and individual security selection results were positive contributors to the Fund's relative returns this quarter. Security selection results versus the benchmark benefited most from the portfolio's holding of Puerto Rico's general obligation debt. As mentioned earlier, the Commonwealth's bonds improved greatly during the three-month period. The Fund's position in Puerto Rico's bonds remained small as of quarter-end, at 0.25% of invested assets. The bonds have a maturity date of July 2035. Given the long process of restoring infrastructure and rebuilding the island in the wake of Hurricane Maria, we would continue to expect short-term fluctuations in bond pricing. We are maintaining exposure to the Puerto Rico bonds in the Fund's portfolio, and do not feel pressure to sell them based on "urgent" news stories. The bonds originally defaulted in July of 2016, as expected; therefore, we do not expect to see an impact on the Fund's distributions. The 8% coupon general obligation bonds are currently subject to bankruptcy proceedings in a US federal court,
and we continue to believe they remain high in the Commonwealth's capital structure.

During the quarter, we continued to favor owning revenue bonds in the Fund's portfolio. Revenue bonds are, by definition, secured by income-producing facilities of the borrower. General obligation bonds, or bonds secured by municipal tax revenue, comprised 24% of the portfolio as of the end of the three-month period. However, we believe investment opportunities may exist from time to time in the general obligation bonds of municipalities with balanced budgets, and without significantly unfunded pension obligations.

Current Outlook and Positioning

We believe low supply and continued demand will be a key theme for the municipal bond market as we head closer to the second half of 2018. As mentioned earlier, many issuers pulled advance refunding deals forward into December 2017. Under the new US tax law, for advance refundings issued after December 31, 2017, the interest income received by investors, which is related to such refunding bonds, will now be treated as taxable income to the bondholder. Previously, that income was tax-exempt. (Advance refunding bonds are issued to pay off, or refund, another outstanding bond more than 90 days in advance of its call date.) While municipal bonds refunded within 90 days of their call date(s) will remain tax-exempt under the revised tax code, the rush to issue advance refunding bonds in December, combined with the elimination of the tax exemption, should result in a continued drag on municipal supply going into the second quarter of 2018.

With the final passage of a US tax reform bill last December, a layer of uncertainty was removed from the municipal market, leaving investors, both corporate and individual, to sort out the effects the new law may have on their interests. With a lower corporate tax rate, demand for municipals from banks and property/casualty insurers may decrease as the companies weigh the risk/reward of holding municipal bonds versus corporate bonds. It is possible, however, that municipal bonds will continue to appeal to life insurers given the bonds' higher-quality and long durations.

For individuals, the reduction in allowable state and local tax (SALT) deductions should impact investors in higher-tax states such as California and New York. The combination of lower federal deductions and high local taxes may drive investors into state-specific municipal funds and individual bonds in the short term. In addition, the impact of low supply and high demand should drive up municipal bond prices in those states. A possible longer-term impact of the capping of SALT deductions would be a migration of residents from higher-tax states into neighboring lower-tax states, as lower-tax states such as Texas and Florida may begin to look more attractive as tax havens. That would enhance the ability of lower-tax states to maintain stable and balanced budgets.

Defaults in the municipal bond market are expected to remain low overall. In fact, the current 25-year default average for investment-grade municipal bonds is very low, at just 0.6%, a rate second only to US Treasuries. Many expect that number to decrease even further if the US economy – and state and local balance sheets – continue to improve. Given the high credit quality and low historical default rate of municipal bonds, any market weakness resulting from external events could increase demand and support the asset class, thus providing opportunities for tax-exempt investors.

In summary, we continue to believe municipal investment-grade bonds remain attractive relative to Treasuries and corporate bonds. With 10-year and 30-year municipal/Treasury ratios well above 80% and 90%, respectively, the municipal space continues to entice investors who may not even benefit from the tax-exempt nature of municipal bonds. Even though the Fed is tightening monetary policy and the European Central Bank is reducing its bond-purchasing program, global yields remain low overall, and that continues to attract non-traditional buyers to the municipal space as they seek opportunities based on the attractive yields and relative safety provided by the historically low default rate of the municipal asset class. (The municipal/Treasury ratio has historically been one of the more reliable measures of municipal bond valuation. Given that US Treasuries are taxed and municipal bonds are not, municipal yields in general should be lower than 100% of US Treasury yields because investors typically require higher yields as an incentive to put their money in Treasuries.)

In that environment, we believe investment-grade municipals with strong fundamentals should continue to be preferred.

As of March 31, 2018, the largest sector weights in the portfolio were to education (23%), local general obligation bonds (14%), health care (14%), and industrial development revenue/pollution control revenue (9%).

Massachusetts, California, Texas, Virginia, and Florida represented the Fund's largest state exposures as of quarter-end.

Approximately 79% of the Fund's investments were allocated to bonds rated "A" or higher by Moody's as of quarter-end.

The Fund normally will not invest in securities that pay interest that could be susceptible to the Federal Alternative Minimum Tax (AMT), and did not own any bonds that may be subject to the AMT as of March 31, 2018.

Performance Review

Pioneer AMT-Free Municipal Fund's Class A shares returned –1.51% at net asset value in the first quarter, and Class Y shares returned –1.45%, while the Fund's benchmark, the Bloomberg Barclays Municipal Bond Index, returned –1.11%.

Average Annual Total Return (Class A shares)

March 31, 2018	(at NAV)	(at POP)	Bloomberg Barclays Municipal Bond Index
1 year	3.12%	–1.50%	2.66%
3 years	2.48%	0.91%	2.25%
5 years	3.10%	2.15%	2.73%
10 years	5.03%	4.55%	4.40%

Average Annual Total Return (Class Y shares)

March 31, 2018	(at NAV)	Bloomberg Barclays Municipal Bond Index
1 year	3.31%	2.66%
3 years	2.75%	2.25%
5 years	3.37%	2.73%
10 years	5.29%	4.40%

Expense Ratios (As of prospectus dated May 1, 2018)

Class A shares: Gross, 0.80%

Class Y shares: Gross, 0.63; Net, 0.55%%

Call 1-800-225-6292 or visit amundipioneer.com for the most recent month-end performance results. Current performance may be lower or higher than the performance data quoted.

The performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

NAV results represent the percent change in net asset value per share. Returns would have been lower had sales charges been reflected. POP returns reflect deduction of the maximum 4.50% sales charge at the beginning of the period. All results are historical and assume the reinvestment of dividends and capital gains. Other share classes are available for which performance and expenses will differ.

The net expense ratio reflects the contractual expense limitation currently in effect through May 1, 2019, for Class Y shares. There can be no assurance that Amundi Pioneer will extend the expense limitation beyond such time. Please see the prospectus and financial statements for more information.

Performance results reflect any applicable expense waivers in effect during the periods shown. Without such waivers Fund performance would be lower. Waivers may not be in effect for all funds. Certain fee waivers are contractual through a specified period. Otherwise, fee waivers can be rescinded at any time. See the prospectus for more information.

A Word about Risk:

When interest rates rise, the prices of fixed-income securities in the Fund will generally fall. Conversely, when interest rates fall, the prices of fixed-income securities in the Fund will generally rise.

Investments in the Fund are subject to possible loss due to the financial failure of issuers of underlying securities and their inability to meet their debt obligations.

At times, the Fund's investments may represent industries or industry sectors that are interrelated or have common risks, making it more susceptible to any economic, political, or regulatory developments or other risks affecting those industries and sectors.

The value of municipal securities can be adversely affected by changes in the financial condition of municipal issuers, lower revenues, and regulatory and political developments.

A portion of income may be subject to local, state, federal, and/or alternative minimum tax. Capital gains, if any, are subject to a capital gains tax.

These risks may increase share price volatility.

The Bloomberg Barclays Municipal Bond Index is an unmanaged, broad measure of the municipal bond market. Index returns are calculated monthly, assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees,expenses or sales charges. It is not possible to invest directly in an index.

The views expressed in this commentary are those of the portfolio manager, and are subject to change at any time. These views do not necessarily reflect the views of Amundi Pioneer or others in the Amundi Pioneer organization, and should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any Amundi Pioneer investment product.

Securities Discussed

	% of Portfolio as of March 31, 2018
Commonwealth of Puerto Rico, 8.00%, 7/1/35	0.25%

Top 10 Holdings

		% of Portfolio as of March 31, 2018
1.	Massachusetts Health & Educational Facilities Auth., 5.50%, 7/1/32	1.92%
2.	Tobacco Settlement Financing Corp. (VA), 5.00%, 6/1/47	1.66%
3.	Golden State (CA) Tobacco Securitization Corp., 5.125%, 6/1/47	1.38%
4.	Dallas (TX) Area Rapid Transit, 5.00%, 12/1/33	1.17%
5.	University of Virginia, 4.00%, 4/1/45	1.08%
6.	State of Washington, 5.00%, 7/1/30	1.02%
7.	Texas Private Activity Bond Surface Transportation Corp., 7.00%, 6/30/40	0.99%
8.	Forsyth County (GA) Water & Sewerage Authority, 5.00%, 4/1/41	0.98%
9.	Massachusetts Development Finance Agency, 5.00%, 7/1/31	0.98%
10.	County of Fairfax (VA), 4.00%, 10/1/34	0.96%

The portfolio is actively managed, and current holdings may be different. The holdings listed should not be considered recommendations to buy or sell any security listed.

Before investing, consider the Fund's investment objectives, risks, charges and expenses. Contact your advisor or Amundi Pioneer Asset Management for a prospectus or summary prospectus containing this information. Read it carefully.

Individuals are encouraged to seek advice from their financial, legal, tax, and other appropriate advisers before making any investment or financial decisions or purchasing any financial, securities or investment-related product or service, including any product or service described in these materials. Amundi Pioneer does not provide investment advice or investment recommendations.